(8)

Supreme Court, U.S.
FILED
JAN 18 1994
OFFICE OF THE CLERK

No. 93-405

IN THE
Supreme Court of the United States

OCTOBER TERM, 1993

DIGITAL EQUIPMENT CORPORATION,
Petitioner,

v.

DESKTOP DIRECT, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

---

BRIEF OF RESPONDENT

JOHN PAUL KENNEDY *
1385 Yale Avenue
Salt Lake City, Utah 84105
(801) 583-6170

H. ROSS WORKMAN
LARRY R. LAYCOCK
WORKMAN, NYDEGGER & JENSEN
1000 Eagle Gate Tower
60 East South Temple
Salt Lake City, Utah 84111

REX E. LEE
CARTER G. PHILLIPS
GENE C. SCHAERR
JANET M. LETSON
SIDLEY & AUSTIN
1722 Eye Street, N.W.
Washington, D.C. 20006
(202) 736-8000

Counsel for Respondent

* Counsel of Record

January 18, 1994

WILSON - EPES PRINTING CO., INC. - 789-0096 - WASHINGTON, D.C. 20001

BEST AVAILABLE COPY

#9 pp

QUESTION PRESENTED

Whether the court of appeals correctly held that there can be no interlocutory appeal under the collateral order doctrine of an order setting aside a fraudulently induced settlement agreement.

PARTIES TO THE PROCEEDING

Petitioner Digital Equipment Corporation, or DEC, was defendant-appellant below. Respondent Desktop Direct, Inc., was plaintiff-appellee.

Pursuant to Rule 29.1 of the Rules of this Court, respondent states that it has neither parent nor subsidiary companies.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED	i
PARTIES TO THE PROCEEDING	ii
TABLE OF AUTHORITIES	v
JURISDICTION	1
STATEMENT OF THE CASE	1
SUMMARY OF ARGUMENT	8
ARGUMENT	11
THE COURT OF APPEALS' DECISION DENYING INTERLOCUTORY APPEAL OF AN ORDER SETTING ASIDE A FRAUDULENTLY INDUCED SETTLEMENT AGREEMENT SHOULD BE AFFIRMED	11
A. The Collateral Order Doctrine Carves Out Only A Narrow Exception To The Clear Mandate Of Finality Embodied In Section 1291	11
B. Because Petitioner's Claimed "Right Not To Go To Trial" Rests Upon A Private Agreement Rather Than An Explicit Statutory Or Constitutional Guarantee, The Collateral Order Exception Does Not Apply	15
1. *Midland Asphalt* Plainly Established The Requirement Of A Statutory Or Constitutional Basis For A "Right Not To Go To Trial"	15
2. Petitioner's Expansive Alternative To This Court's Requirement Of An Explicit Statutory Or Constitutional Guarantee Would Disserve Congress' Policy Judgments Underlying Section 1291	19

TABLE OF CONTENTS—Continued

	Page
3. Petitioner's Policy Arguments Provide No Basis For Ignoring The Rule Articulated In *Midland Asphalt*	22
C. The District Court's Order Does Not Fall Within the Collateral Order Exception Because It Does Not "Resolve An Important Issue"	27
1. There Is No Reason To Discard The "Importance" Requirement, Which Is A Vital Part Of The Collateral Order Doctrine That Has Been Applied Consistently By This Court And The Courts Of Appeals	27
2. The Issue Whether A Private Settlement Agreement Is Valid And Enforceable Is Not An "Important Issue" For Purposes Of The Collateral Order Doctrine	33
D. The "Rights" Petitioner Secured In The Settlement Agreement Are "Adequately Vindicable" On Appeal After Trial	35
CONCLUSION	40

TABLE OF AUTHORITIES

CASES

	Page
Abney v. *United States*, 431 U.S. 651 (1977)	9, 12, 20, 28, 29
Adickes v. *S.H. Kress & Co.*, 398 U.S. 144 (1970)	28
Bauer v. *Commerce Union Bank*, 859 F.2d 438 (6th Cir. 1988), *cert. denied*, 489 U.S. 1079 (1989)	31
Boire v. *Greyhound Corp.*, 376 U.S. 475 (1964)	30
Boston Envtl. Sanitation Inspectors Ass'n v. *City of Boston*, 794 F.2d 12 (1st Cir. 1986)	34
Braden v. *Texas A&M Univ. Sys.*, 636 F.2d 90 (5th Cir. 1981)	34
Broan Mfg. Co. v. *Associated Distribs., Inc.*, 932 F.2d 1146 (6th Cir. 1991)	19
Broussard v. *Violet*, No. 89-56207, 1991 WL 113804 (9th Cir. June 21, 1991)	37, 38
Carson v. *American Brands, Inc.*, 450 U.S. 79 (1981)	12, 37
Catlin v. *United States*, 324 U.S. 229 (1945)	20
Cobbledick v. *United States*, 309 U.S. 323 (1940)	11
Cohen v. *Beneficial Indus. Loan Corp.*, 337 U.S. 541 (1949)	*passim*
Coopers & Lybrand v. *Livesay*, 437 U.S. 463 (1978)	*passim*
Costello v. *Town of Fairfield*, 811 F.2d 782 (2d Cir. 1987)	34
Delta Air Lines, Inc. v. *August*, 450 U.S. 346 (1981)	28
Doughty v. *Underwriters at Lloyd's, London*, 6 F.3d 856 (1st Cir. 1993)	31
Eisen v. *Carlisle & Jacquelin*, 417 U.S. 156 (1974)	12
Firestone Tire & Rubber Co. v. *Risjord*, 449 U.S. 368 (1981)	12, 26, 32, 40
First Sec. Bank v. *Banberry Dev. Corp.*, 786 P.2d 1326 (Utah 1990)	32
Flanagan v. *United States*, 465 U.S. 259 (1984)	14
Forbus v. *Sears Roebuck & Co.*, 958 F.2d 1036 (11th Cir.), *cert. denied*, 113 S. Ct. 412 (1992)	7, 25
Grillet v. *Sears Roebuck & Co.*, 927 F.2d 217 (5th Cir. 1991)	7

TABLE OF AUTHORITIES—Continued

	Page
Gulfstream Aerospace Corp. v. *Mayacamas Corp.*, 485 U.S. 271 (1988)	14
Harlow v. *Fitzgerald*, 457 U.S. 800 (1982)	16
Helmac Prods. Corp. v. *Roth Plastics Corp.*, No. 90-1890, 1990 WL 205103 (6th Cir. Dec. 14, 1990)	23, 38
Helstoski v. *Meanor*, 442 U.S. 500 (1979)	29
Henry v. *United McGill Corp.*, No. 87-3687, 1987 WL 38181 (6th Cir. Oct. 14, 1987)	38
Hilton v. *South Carolina Pub. Ry. Comm'n*, 112 S. Ct. 560 (1991)	18
Illinois Brick Co. v. *Illinois*, 431 U.S. 720 (1977)	18
James Boyce's Executors v. *Grundy*, 28 U.S. 210 (1830)	22
Janneh v. *GAF Corp.*, 887 F.2d 432 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990)	7, 24
Lauro Lines S.R.L. v. *Chasser*, 490 U.S. 495 (1989)	*passim*
Midland Asphalt Corp. v. *United States*, 489 U.S. 794 (1989)	*passim*
Mitchell v. *Forsyth*, 472 U.S. 511 (1985)	9, 16, 17, 29
Mitsubishi Motors Corp. v. *Soler Chrysler-Plymouth, Inc.*, 473 U.S. 614 (1985)	22
Moses H. Cone Memorial Hosp. v. *Mercury Constr. Corp.*, 460 U.S. 1 (1983)	29, 33
Nixon v. *Fitzgerald*, 457 U.S. 731 (1982)	8, 17, 29
Patsy v. *Florida Bd. of Regents*, 457 U.S. 496 (1982)	25
Prima Print Corp. v. *Flood & Conklin Mfg. Co.*, 388 U.S. 395 (1967)	22
Puerto Rico Aqueduct & Sewer Auth. v. *Metcalf & Eddy, Inc.*, 113 S. Ct. 684 (1993)	18, 28, 29
Reeves v. *Digital Equip. Co.*, No. 90-3063, 1990 WL 41885 (6th Cir. Apr. 11, 1990)	38
Richardson-Merrell, Inc. v. *Koller*, 472 U.S. 424 (1985)	*passim*
S&D Maintenance Co. v. *Goldin*, 844 F.2d 962 (2d Cir. 1988)	34
Scherk v. *Alberto-Culver Co.*, 417 U.S. 506 (1974)	22

TABLE OF AUTHORITIES—Continued

	Page
Simpson v. *Western Nat'l Bank*, 497 P.2d 878 (Wyo. 1972)	32
Sudeikis v. *Chicago Transit Auth.*, 774 F.2d 766 (7th Cir. 1985)	34
Switzerland Cheese Ass'n v. *E. Horne's Market*, 385 U.S. 23 (1966)	21
Taylor v. *Freeland & Kronz*, 112 S. Ct. 1644 (1992)	28
Transtech Indus., Inc. v. *A. & Z Septic Clean*, 5 F.3d 51 (3d Cir.), *petition for cert. filed*, 62 U.S.L.W. 3429 (U.S. Dec. 16, 1993) (No. 93-960)	20, 21, 38
United States v. *Davis*, 873 F.2d 900 (6th Cir.), *cert. denied*, 493 U.S. 923 (1989)	19
United States v. *Larouche Campaign*, 829 F.2d 250 (1st Cir. 1987)	31
United States v. *Levine*, 658 F.2d 113 (3d Cir. 1981)	19, 31
United States v. *Rossman*, 940 F.2d 535 (9th Cir. 1991)	19
United States v. *Standard Oil Co.*, 332 U.S. 301 (1947)	30
United States v. *Weiss*, 7 F.3d 1088 (2d Cir. 1993)	19
Van Cauwenberghe v. *Biard*, 486 U.S. 517 (1988)	*passim*

STATUTES AND RULES

9 U.S.C. § 15	13
15 U.S.C. § 1117	4
28 U.S.C. § 1291	8
§ 1292	8, 13
Judiciary Act of 1789, 1 Stat. 73 (1789)	8
Sup. Ct. R. 10.1(c)	30
Fed. R. App. P. 35(a)	30
D.C. Cir. R. 35(c)	30
Fed. Cir. R. 35(b)	30
1st Cir. R. 35.1	30
3d Cir. R. Addendum A, chap. 9.2	30
5th Cir. R. 35.2.2	30

TABLE OF AUTHORITIES—Continued

	Page
6th Cir. R. Addendum II R. 20.8	30
7th Cir. R. Practioner's Handbook XXV(2)	30
10th Cir. R. 35.2.2	30
11th Cir. R. 35-6	30
OTHER AUTHORITIES	
Administrative Office of the United States Courts, *1992 Federal Court Management Statistics* (1993)	21
Janet C. Alexander, *Do the Merits Matter? A Study of Settlements in Securities Class Actions*, 43 Stan. L. Rev. 497 (1991)	23
Burger, C.J., *Reducing the Costs of Civil Litigation*, 37 Rutgers L. Rev. 217 (1989)	25
Judge Harry T. Edwards, *Alternative Dispute Resolution: Panacea or Anathema?*, 99 Harv. L. Rev. 374 (1982)	23
Theodore Eisenberg & Stewart J. Schwab, *What Shapes Perceptions of the Federal Court System?*, 56 U. Chi. L. Rev. 501 (1989)	23
J. Lambros, *The Summary Jury Trial*, 103 F.R.D. 461 (1984)	25
Judith Resnik, *Managerial Judges*, 96 Harv. L. Rev. 374 (1982)	23, 24
Report of the Federal Courts Study Committee (1990)	21
9 C. Wright & A. Miller, *Federal Practice & Procedure* § 2579 (1971)	32
11 C. Wright, A. Miller & E. Cooper, *Federal Practice & Procedure* § 2871 (1973)	26
15A C. Wright & A. Miller, *Federal Practice & Procedure* § 3911 (1992)	14
H.R. Rep. No. 889, 100th Cong., 2d Sess. (1988), *reprinted in* 1988 U.S.C.C.A.N. 5982	13

IN THE
Supreme Court of the United States
OCTOBER TERM, 1993

No. 93-405

DIGITAL EQUIPMENT CORPORATION,
Petitioner,
v.
DESKTOP DIRECT, INC.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

BRIEF OF RESPONDENT

JURISDICTION

This Court's jurisdiction to review the judgment below rests on 28 U.S.C. § 1254(1). However, as explained below, the court of appeals had no jurisdiction over the order of the district court that is at issue, because that order was not final under 28 U.S.C. § 1291.

STATEMENT OF THE CASE

Respondent Desktop Direct is a small corporation with a handful of employees engaged in the sale of computer-related equipment. Petitioner Digital Equipment Corporation, well known in the industry as DEC, is a multi-billion-dollar corporation with thousands of employees, also engaged in the sale of computer-related products. In late 1991, petitioner moved into a new area of the computer market, and for this enterprise chose to use

respondent's tradename, "Desktop Direct." By as early as December 2, 1991, DEC had sent out a mass mailing announcing DEC's new service under the name "Desktop Direct from Digital." [1] Although DEC's counsel had performed "a preliminary trademark search" on a computer database containing registered trademarks,[2] further investigations—including an additional trademark search of registered trademarks,[3] a "common-law trademark" search,[4] and a review of the trade literature [5]—were not conducted until *after* DEC had begun using respondent's name. Although DEC admittedly knew of Desktop Direct by the time it had concluded its investigation (shortly after the mass mailing), DEC continued to use the Desktop Direct name.

Desktop Direct first became aware of DEC's use of the name "Desktop Direct from Digital" when confused consumers began to call Desktop Direct on its toll-free line.[6] Desktop Direct thereupon filed a complaint in the United States District Court for the District of Utah against DEC for unlawful use of the Desktop Direct name. Desktop Direct sent a copy of the complaint to

[1] Appellant's Brief on the Merits at 5, filed by petitioner DEC in court of appeals (May 12, 1993).

[2] Declaration of Janis M. LaRue ¶ 3, filed by petitioner DEC in district court (Oct. 16, 1992).

[3] *Id.* ¶ 4.

[4] *Id.* ¶ 6.

[5] *Id.* ¶ 7. At the relevant time, Desktop Direct advertised in a number of national computer magazines, including MacWorld, MacUser, MacWeek, Computer Buying World, PC Sources, WordPerfect for Windows Magazine, and Windows and OS/2 Magazine. Complaint for Injunctive Relief and Damages ¶ 4, filed by respondent Desktop Direct in district court (Feb. 28, 1992).

[6] When Desktop Direct personnel explained that Desktop Direct was not affiliated with DEC, some customers reacted in a hostile or suspicious fashion, and expressed the belief that Desktop Direct was improperly using DEC's tradename, rather than the reverse. Complaint for Injunctive Relief and Damages ¶ 13, filed by respondent Desktop Direct in district court (Feb. 28, 1992).

DEC, but did not formally serve it. Upon receiving Desktop Direct's complaint, Barry Yanes, the chief executive officer of a corporate division of DEC, contacted Steven Rowley, the owner and president of Desktop Direct. Mr. Yanes represented to Mr. Rowley that DEC had committed an innocent mistake in using Desktop Direct's name, and that the matter ought to be settled "without the involvement of attorneys." [7] At the same time, Mr. Yanes observed that DEC's superior resources would permit it to engage in tactics that would prolong the litigation for years if respondent did not agree to settle.[8]

Mr. Rowley took Mr. Yanes at his word. The parties reached a confidential settlement agreement pursuant to which DEC would pay Desktop Direct a sum of money in exchange for (1) the right to use the "Desktop Direct" tradename and trademark that had been developed and used by respondent and (2) the dismissal of the suit. J.A. vol. II (Sealed) ¶¶ 1, 6, at 2-4. Accordingly, in March 1992, respondent withdrew its complaint with prejudice.

[7] Declaration of Steven A. Rowley ¶¶ 12, 13, filed by respondent Desktop Direct in district court as exhibit to Motion to Withdraw Notice of Dismissal and to Rescind the Settlement Agreement (Sept. 17, 1992).

[8] *Id.* ¶ 16. DEC has, in fact, made good on its threat by employing every means at its disposal to prolong the litigation. It is undisputed that in the district court, DEC obtained continuances to respond to the various memoranda and took advantage of other procedural delays. It is likewise undisputed that when DEC did not prevail on Desktop Direct's motion to set aside the settlement agreement, DEC delayed the maximum allowable time before requesting reconsideration and a stay (which were denied). In the court of appeals, DEC again did not prevail and again delayed the maximum allowable time before requesting rehearing and rehearing *in banc* (which were also denied).

The Order Denying Rehearing was entered by the court of appeals on June 16, 1993; DEC's petition and stay request were not mailed until September 13, 1993. Thus, DEC did not promptly seek review in this Court, but delayed nearly the full time allowed by the rules before filing its petition and its request for a stay.

However, in May 1992, during an informal conversation, an in-house attorney at DEC informed counsel for respondent that DEC, with full knowledge about Desktop Direct, had nevertheless proceeded with its use of Desktop Direct's name against the advice of counsel.[9] This admission caused Mr. Rowley to realize that the information given him by Mr. Yanes in their settlement discussions had been misleading. In particular, the admission by DEC's counsel revealed that Desktop Direct's case for trademark infringement was much stronger than Mr. Rowley had been led to believe, and furthermore, that Desktop Direct had a powerful case for *willful* infringement, for which trebled damages and attorney's fees can be awarded.[10]

Respondent thereupon filed a motion to set aside the dismissal and reinstate the lawsuit on the ground that the settlement had been induced by petitioner's fraudulent misrepresentations. The briefing on that motion made plain that petitioner used the Desktop Direct name not-

[9] Declaration of Andrew P. Bridges ¶ 11, filed by respondent Desktop Direct in district court as exhibit to Motion to Withdraw Notice of Dismissal and to Rescind the Settlement Agreement (Sept. 17, 1992).

[10] The basic framework for monetary damages in tradename and trademark infringement cases is set forth in 15 U.S.C. § 1117, which includes an allowance for enhanced damages and attorney's fees:

> (a) When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section § 1125(a) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the . . . principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. . . . *In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount . . . . The court in exceptional cases may award reasonable attorney fees to the prevailing party.*

15 U.S.C. § 1117(a) (emphasis added).

withstanding its knowledge of respondent's prior use of the name.[11] Indeed, petitioner did not dispute that it continued to use the name even after it had completed its due diligence and knew that the "Desktop Direct" name was being used by respondent in the same market.[12]

On the basis of the full submissions of the parties, as well as oral argument, the district court granted Desktop Direct's motion and set aside the fraudulently obtained settlement. Pet. App. 12a-13a. DEC made no request that the court include in its order a certification under 28 U.S.C. § 1292(b) that would have permitted DEC to seek immediate appeal of the court's order. DEC also failed later to request that the court modify its order to include such a certification.

DEC filed a notice of appeal in the United States Court of Appeals for the Tenth Circuit, claiming the court had jurisdiction under the collateral order doctrine of *Cohen* v. *Beneficial Industrial Loan Corp.*, 337 U.S. 541 (1949). The Tenth Circuit ruled that the district court's order was not appealable under the collateral order doctrine, and dismissed DEC's appeal. Pet. App. 10a.

[11] *See generally* Declaration of Janis M. LaRue ¶ 3, filed by petitioner DEC in district court (Oct. 16, 1992).

[12] Petitioner took a narrow and technical approach, arguing only that at the time it *adopted* the "Desktop Direct" name, it was unaware of respondent. *See, e.g.*, Defendant's Memorandum in Opposition to Plaintiff's Motion to Withdraw Notice of Dismissal and to Rescind the Settlement Agreement on the Basis of Fraud in the Inducement at 12, filed by petitioner DEC in district court (Oct. 16, 1992) ("Mr. Yanes did not tell Mr. Rowley that [DEC] had no knowledge of [Desktop Direct] until this lawsuit was filed. Thus, Mr. Yanes did not make any misrepresentations to Mr. Rowley . . . . Even if [DEC] was wrong to proceed with use of the name after learning about [Desktop Direct] . . . there were no misrepresentations made to Mr. Rowley during settlement negotiations on this point"). DEC took a similar tack in the court of appeals. *See* Appellant's Brief on the Merits at 12, filed by petitioner DEC in court of appeals (May 12, 1993) (DEC's "continued use of the DESKTOP DIRECT FROM DIGITAL name after learning of [Desktop Direct], by itself, does not constitute intentional infringement as a matter of law").

The court of appeals began its analysis by noting that to qualify for review under the collateral order exception from the finality requirement, " 'an order must satisfy at least three conditions: It must conclusively determine the disputed question, resolve an important issue completely separate from the merits of the action, and be effectively unreviewable on appeal from a final judgment.' " Pet. App. 3a (quoting *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495, 498 (1989) (quotations omitted)). The court then reviewed the district court's order under each prong of this test.

The court of appeals determined that the order met the first *Cohen* requirement because it "conclusively determine[d] the validity and enforceability of the settlement agreement." Pet. App. 4a. Turning to the second *Cohen* requirement, the court observed that that requirement had two components: the issue must be "important" as well as "completely separate from the merits." *Id.* (internal quotations omitted). Although it found the "separability" component satisfied, the court concluded that the issue lacked the requisite "importance" because all that was at stake was a party's mere "expectation" arising out of a private contract. *Id.* at 4a-5a.

The court analyzed the importance of the right petitioner asserted in tandem with the court's analysis of the third *Cohen* prong, the question of whether the order was "effectively unreviewable on appeal from a final judgment." Pet. App. 5a. In this regard, petitioner claimed the settlement agreement gave it a "right not to go to trial" that could be protected only by immediate appeal. The court of appeals rejected this claim, relying in part on this Court's holding in *Midland Asphalt Corp.* v. *United States*, 489 U.S. 794, 801 (1989), that a " 'right not to be tried in the sense relevant to the *Cohen* exception rests upon *an explicit statutory or constitutional guarantee* that trial will not occur.' " Pet. App. 9a (emphasis added by court of appeals). No such statutory or constitutional guarantee is available to petitioner in this case.

The court of appeals also held that the district court's order failed the third *Cohen* requirement based on this Court's decision in *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495 (1989). That decision held that an order declining to enforce a contractual forum selection clause does not fall within the collateral order exception because the rights obtained by such a clause is "adequately vindicable" through post-judgment appeal. The court of appeals stated that it did "not see how a private settlement contract is significantly different from the contracted forum selection clause . . . in *Lauro Lines*." Pet. App. 10a. The court thus concluded that "[f]orcing parties to go through what may turn out to be a wasted trial is just one of the inevitable costs of the final judgment rule." *Id.*

The court acknowledged that its decision was contrary to decisions of the Second, Fifth, and Eleventh Circuits,[13] which had ruled that immediate appeal could be taken from an order setting aside a settlement agreement. The court disagreed with those courts that "encouragement of out-of-court settlements"—though desirable—fits within this Court's teachings about "which interests are 'important' enough to fall within the narrow confines of the *Cohen* doctrine." Pet. App. 6a. As the court explained, "Expansion of federal court jurisdiction in the absence of congressional authority is ground best trod lightly." *Id.* at 10a. The court therefore declined to expand the collateral order doctrine in the manner proposed by petitioner.

---

[13] *Janneh* v. *GAF Corp.*, 887 F.2d 432 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990); *Grillet* v. *Sears Roebuck & Co.*, 927 F.2d 217 (5th Cir. 1991); and *Forbus* v. *Sears Roebuck & Co.*, 958 F.2d 1036 (11th Cir.), *cert. denied*, 113 S. Ct. 412 (1992). *See also infra* note 39 (appellate decision here in accord with decisions of Third, Sixth, and Ninth Circuits).

SUMMARY OF ARGUMENT

Federal law has long required that a district court decision be "final" in order to fall within the general jurisdiction of a federal appeals court. 28 U.S.C. § 1291; see Judiciary Act of 1789, 1 Stat. 73, 84; *cf.* 28 U.S.C. § 1292(b) (permitting narrow class of discretionary appeals from non-final orders). This rule is based not only on concerns about the efficient administration of the judicial system and an obvious desire to protect appellate dockets, but also on respect for the authority of the district judge in "polic[ing] the prejudgment tactics of litigants." *Richardson-Merrell, Inc.* v. *Koller*, 472 U.S. 424, 436 (1985).

Petitioner does not and cannot contend that the district court order in this case—which vacated a settlement agreement because of petitioner's fraud—is final within the meaning of Section 1291. *Coopers & Lybrand* v. *Livesay*, 437 U.S. 463, 467 (1978). Rather, petitioner claims that the order fits within a narrow, judicially created exception to the finality requirement, the "collateral order" exception first articulated by this Court in *Cohen* v. *Beneficial Industrial Loan Corp.*, 337 U.S. 541, 546 (1949). Because the express language of Section 1291 contains no exceptions, the Court has invoked this implied exception only in very narrow circumstances. "To fall within the [*Cohen*] exception, an order must *at a minimum* satisfy three conditions: It must 'conclusively determine the disputed question,' 'resolve an important issue completely separate from the merits of the action,' and 'be effectively unreviewable on appeal from a final judgment.'" *Richardson-Merrell, Inc.*, 472 U.S. at 431 (quoting *Coopers & Lybrand*, 437 U.S. at 468) (emphasis added).

The core of petitioner's argument is that the settlement agreement, a private contract, gave it a "right not to go to trial" that is of the same status as, for example, publicly created rights of such obvious importance as the right of a President not to stand trial for his official acts (see *Nixon*

v. *Fitzgerald*, 457 U.S. 731 (1982)), or the constitutional right of a criminal defendant not to be tried twice for the same offense (see *Abney* v. *United States*, 431 U.S. 651 (1977)). Petitioner argues that it—as well as all other similarly situated private litigants—is *entitled* to immediate interlocutory appeal of any district court order that arguably impinges upon a private contractual "right not to go to trial." Petitioner's argument fails for three independently sufficient reasons.

First, petitioner's argument is foreclosed by this Court's holding that "[a] right not to be tried in the sense relevant to the *Cohen* exception rests upon an *explicit statutory or constitutional guarantee* that trial will not occur." *Midland Asphalt Corp.* v. *United States*, 489 U.S. 794, 801 (1989) (emphasis added). Petitioner necessarily admits that its claimed "right not to be tried" rests solely on a private contract. Pet. Br. 35. Therefore, under *Midland Asphalt*, petitioner has no right to an interlocutory appeal, as the court of appeals properly held. And, contrary to petitioner's argument, *Mitchell* v. *Forsyth*, 472 U.S. 511 (1985), poses no obstacle to straightforward application of the rule articulated in *Midland Asphalt*: Unlike the privately created contractual rights at issue here, the "right not to go to trial" at issue in *Mitchell* was plainly grounded in the Constitution as well as long-standing common-law tradition.

Moreover, the wisdom of the *Midland Asphalt* rule is highlighted by the alternative "test" proposed by petitioner, a *per se* rule that orders setting aside settlements are always immediately appealable regardless of all other circumstances. This approach is wholly at odds with the final judgment rule and the corresponding imperative that the collateral order exception to it must be narrow in scope.

Second, as the court of appeals correctly found, rights created by private settlement agreements are not of sufficient "importance" under the second prong of the *Cohen*

test, *Coopers & Lybrand*, 437 U.S. at 468, to warrant a dramatic extension of the judicially created collateral order doctrine. Petitioner implicitly recognizes this when it urges the Court to abandon the "importance" requirement altogether. But there is no reason for the Court to overrule this well established and vital feature of its *Cohen* jurisprudence.

Finally, any rights created by a private settlement agreement are "adequately vindicable" through post-trial review, see *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495 (1989), and thus do not meet the third *Cohen* requirement that the order sought to be reviewed "be effectively unreviewable on appeal from a final judgment." *Coopers & Lybrand*, 437 U.S. at 468. Settlement agreements, including the one at issue here, do much more than avert a trial. They also establish substantive rights as between the parties—here, the allocation of intellectual property rights. Such agreements also eliminate the remaining costs and risks of litigation and limit a defendant's liability on the plaintiff's claims. Thus, petitioner's claimed "right not to go to trial" is merely one of many benefits of an ordinary settlement agreement, and clearly is not its "essential element," see *Van Cauwenberghe* v. *Biard*, 486 U.S. 517, 525-26 (1988), as the court of appeals properly held.

ARGUMENT

THE COURT OF APPEALS' DECISION DENYING INTERLOCUTORY APPEAL OF AN ORDER SETTING ASIDE A FRAUDULENTLY INDUCED SETTLEMENT AGREEMENT SHOULD BE AFFIRMED.

This Court should affirm the court of appeals' dismissal for want of jurisdiction, and hold, on any of three separate grounds, that the collateral order doctrine cannot be broadened to permit immediate appeal of district court orders setting aside private settlement agreements obtained through fraud and misrepresentation.

A. The Collateral Order Doctrine Carves Out Only A Narrow Exception To The Clear Mandate Of Finality Embodied In Section 1291.

The final judgment rule, now codified at 28 U.S.C. § 1291, provides that the courts of appeals have jurisdiction over "appeals from all final decisions of the district courts."[14] This Court has consistently construed this language to mean that appeal must await "a decision by the District Court that 'ends the litigation on the merits and leaves nothing for the court to do but execute the judgment.'" *Coopers & Lybrand* v. *Livesay*, 437 U.S. 463, 467 (1978) (quoting *Catlin* v. *United States*, 324 U.S. 229, 233 (1945)). The final judgment rule and Section 1291 thus reflect Congress' determination that our judicial system generally demands finality as a prerequisite to appeal, and strongly disfavors "'piecemeal appellate review of trial court decisions.'" *Richardson-Merrell, Inc.* v. *Koller*, 472 U.S. 424, 430 (1985) (quoting *United States* v. *Hollywood Motor Car Co.*, 458 U.S. 263, 265 (1982)).

---

[14] The final judgment rule embodied in 28 U.S.C. § 1291 is the direct descendent of the Judiciary Act of 1789, which specified that only "final judgments and decrees of the federal district courts may be reviewed on appeal." 1 Stat. 73, 84. *See Cobbledick* v. *United States*, 309 U.S. 323, 324 (1940).

This policy against piecemeal appeal serves two purposes. First, it promotes judicial economy. As the Court stated in *Cobbledick* v. *United States*, 309 U.S. 323, 325 (1940), the finality requirement

> avoid[s] the obstruction to just claims that would come from permitting the harassment and cost of a succession of separate appeals from the various rulings to which a litigation may give rise, from its initiation to entry of judgment. To be effective, judicial administration must not be leaden-footed. Its momentum would be arrested by permitting separate reviews of the component elements in a unified cause.

See also *Firestone Tire & Rubber Co.* v. *Risjord*, 449 U.S. 368, 374 (1981); *Eisen* v. *Carlisle & Jacquelin*, 417 U.S. 156, 170 (1974). Second, the final judgment rule also respects the "independence of the district judge, as well as the special role that individual plays in our judicial system." *Firestone Tire & Rubber Co.*, 449 U.S. at 374. In particular, Section 1291 reflects "Congress' judgment that the *district judge* has primary responsibility to police the prejudgment tactics of litigants, and . . . can better exercise that responsibility if the appellate courts do not repeatedly intervene to second-guess prejudgment rulings." *Richardson-Merrell, Inc.*, 472 U.S. at 436 (emphasis in original); *cf. Cohen* v. *Beneficial Indus. Loan Corp.*, 337 U.S. 541, 546 (1949) ("Appeal gives the upper court a power of review, not one of intervention").

This "firm congressional policy against interlocutory or 'piecemeal' appeals," *Abney* v. *United States*, 431 U.S. 651, 656 (1977), is underscored by the fact that the express language of Section 1291 contains no exceptions. By contrast, a number of statutes illustrate Congress' ability to legislate where "rigid application" of the final judgment rule embodied in Section 1291 may "create undue hardship." *Carson* v. *American Brands, Inc.*, 450 U.S. 79, 83 (1981) (discussing 28 U.S.C. § 1292(a)(1)) (citing *Baltimore Contractors, Inc.* v. *Bodinger*, 348 U.S.

176, 180-81 (1955)). One such statute is a 28 U.S.C. § 1292(b), which provides for discretionary certification by the district court and discretionary acceptance by the court of appeals of important non-final questions,[15] and which petitioner inexplicably failed to invoke below.[16] Only six years ago, Congress provided for interlocutory appeal when a trial court rejects a contention that a dispute must be arbitrated under an agreement between the parties and instead requires the parties to litigate. See 9 U.S.C. § 15; H.R. Rep. No. 889, 100th Cong., 2d Sess. 36-37 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5982, 5997.

Even where Congress has not drafted a specific statutory exception to Section 1291, the Court nonetheless has interpreted the provision as authorizing appeals from a "small class" of prejudgment orders "to fill an apparently unintentional void left by Congress in 28

---

[15] Section 1292(b) reads in pertinent part:

> When a district judge, in making in a civil action an order not otherwise appealable under this section, shall be of the opinion that such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation, he shall so state in writing in such order. The Court of Appeals which would have jurisdiction of an appeal of such action may thereupon, in its discretion, permit an appeal to be taken from such order, if application is made to it within ten days after the entry of the order.

Petitioner, of course, did not request such a certification order under Section 1292(b).

[16] Another example is 28 U.S.C. § 1292(a)(1), which permits immediate appeal of orders "granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions." Section 1292 provides for immediate review of "orders appointing receivers, or refusing . . . to wind up receiverships," 28 U.S.C. § 1292(a)(2), and "interlocutory decrees . . . determining the rights and liabilities of the parties to admiralty cases in which appeals from final decrees are allowed." *Id.* § 1292(a)(3).

U.S.C. §§ 1291 & 1292." Pet. App. 10a. In *Cohen* v. *Beneficial Industrial Loan Corp.*, the Court articulated the collateral order doctrine, holding that appeals may be taken from orders that "finally determine claims of right separable from, and collateral to, rights asserted in the action, too important to be denied review and too independent of the cause itself to require that appellate consideration be deferred until the whole case is adjudicated." 337 U.S. at 546. For this small class of truly collateral orders, appellate review may be conducted without frustrating the goals of the final judgment rule, because such orders—which otherwise might evade review altogether—raise issues wholly independent of the merits of the action. Immediate review would thus not impose undue burdens on either the district courts or the courts of appeals. See 15A C. Wright & A. Miller, *Federal Practice & Procedure* § 3911, at 333-34 (1992).

In light of the importance of the policies underlying the final judgment rule and Congress' ability to legislate exceptions, the Court in *Cohen* "carved out" only "a narrow exception," *Midland Asphalt Corp.* v. *United States*, 489 U.S. 794, 798 (1989), governed by "stringent conditions." *Flanagan* v. *United States*, 465 U.S. 259, 270 (1984). To qualify as an appealable collateral order, "an order must *at a minimum* satisfy three conditions: It must 'conclusively determine the disputed question,' 'resolve an important issue completely separate from the merits of the action,' and 'be effectively unreviewable on appeal from a final judgment.'" *Richardson-Merrell, Inc.*, 472 U.S. at 431 (quoting *Coopers & Lybrand*, 437 U.S. at 468) (emphasis added).

Appellants seeking interlocutory review thus carry a heavy burden: jurisdiction under the collateral order exception to Section 1291 is unavailable if the order fails to satisfy *any* part of the *Cohen* doctrine. *Gulfstream Aerospace Corp.* v. *Mayacamas Corp.*, 485 U.S. 271, 276 (1988). Because petitioner's appeal fails to fulfill

three of the requirements of the collateral order doctrine, the court of appeals correctly dismissed for want of jurisdiction.

B. Because Petitioner's Claimed "Right Not To Go To Trial" Rests Upon A Private Agreement Rather Than An Explicit Statutory Or Constitutional Guarantee, The Collateral Order Exception Does Not Apply.

Petitioner's only argument for involving the collateral order doctrine is that it obtained a "right not to go to trial" under the settlement agreement, and therefore is entitled to immediate appeal. The court of appeals properly rejected this theory, relying on this Court's holding in *Midland Asphalt Corp.* v. *United States*, 489 U.S. 794 (1989), that "[a] right not to be tried in the sense relevant to the *Cohen* exception rests upon an explicit statutory or constitutional guarantee that trial will not occur." 489 U.S. at 801. Because, by petitioner's own admission, its "right not to be tried" rests on the terms of the settlement agreement, Pet. Br. 35, rather than a statute or the Constitution, *Midland Asphalt* fully disposes of petitioner's argument, and the court of appeals' determination was clearly correct.

1. Midland Asphalt *Plainly Established The Requirement Of A Statutory Or Constitutional Basis For A "Right Not To Go To Trial."*

In *Midland Asphalt*, the defendant, Midland Asphalt Corporation ("Midland"), had moved to dismiss the indictment against it on the ground that the government had violated Rule 6(e)(2) of the Federal Rules of Criminal Procedure, which prohibits public disclosure by government attorneys of "matters occurring before the grand jury," except in certain specified circumstances. The district court denied the motion, and Midland appealed. This Court held that motions to dismiss based on Rule 6(e) violations are not immediately appealable. The Court cautioned,

> One must be careful . . . not to play word games with the concept of a "right not to be tried." In one sense, any legal rule can be said to give rise to a "right not to be tried" if failure to observe it requires the trial court to . . . terminate the trial. But that is assuredly not the sense relevant for purposes of the exception to the final judgment rule.

Midland Asphalt, 489 U.S. at 801. The Court went on to clarify its collateral order teachings, explaining that "[a] right not to be tried in the sense relevant to the *Cohen* exception rests upon an explicit statutory or constitutional guarantee that trial will not occur." 489 U.S. at 801.

Petitioner insists, however, that the Court's language in *Midland* cannot be "taken literally." Pet. Br. 36. In this regard, petitioner relies mainly on *Mitchell* v. *Forsyth*, 472 U.S. 511 (1985), in which the Court permitted immediate appeal of a district court's denial of qualified immunity for a public-official defendant despite the absence of an "explicit constitutional or statutory guarantee." But petitioner's reliance on *Mitchell* is misplaced, because qualified immunity (a) plain'y has its roots in the Constitution, and (b) has been created as a matter of public policy, not as a result of any private agreement. These essential distinctions are confirmed by *Harlow* v. *Fitzgerald*, 457 U.S. 800 (1982), which established that qualified immunity, like absolute immunity, has its source in "considerations of public policy, the importance of which should be confirmed either by reference to the common law or, more likely, our constitutional heritage and structure." [17] *Id.* at 813 n.20. By contrast, the "right to avoid trial" at issue here is, at most, a privately created right and, by petitioner's own concession, is not even grounded in—much less expressly guaranteed by—the Constitution or any statute.

[17] *Mitchell* itself confirms that the qualified immunity doctrine is based on the public status of the defendant and the concomitant importance of his ability to perform his legitimate official functions unhampered by the need to defend each decision in court:

> The conception animating the qualified immunity doctrine as set forth in *Harlow* v. *Fitzgerald* . . . is that "where an official's duties legitimately require action in which clearly established rights are not implicated, the public interest may be better served by action taken 'with independence and without fear of consequences.'" *Id.*, at 819, quoting *Pierson* v. *Ray*, 386 U.S. 547, 554 (1967) . . . . The "consequences" with which we [are] concerned . . . include "the general costs of subjecting officials to the risks of trial—distraction of officials from their governmental duties, inhibition of discretionary action, and deterrence of able people from public service." *Harlow*, 457 U.S., at 816.

Mitchell v. *Forsyth*, 472 U.S. 511, 525-26 (1985) (citation omitted). Thus, public policy reasons of profound importance to "our constitutional heritage" anchored the Court's determination that qualified immunity must imply "an *immunity from suit* rather than a mere defense to liability." *Id.* at 526 (emphasis in original). The same reasons support immediate appeal from orders denying absolute presidential immunity, *Nixon* v. *Fitzgerald*, 457 U.S. 731 (1982), an immunity which in any event has indisputable roots in the constitutional mandate of separation of powers. *Id.* at 743.

By comparison, it is plain that no public policy assigns comparable importance to petitioner's fervent desire to avoid suit, particularly when that desire prompted petitioner to engage in fraud to procure its putative "right."

Moreover, petitioner's assurance that the Court's command in *Midland Asphalt* was not meant seriously cannot be squared with the Court's hoidings construing the collateral order doctrine since *Midland Asphalt*. In *Lauro Lines*, for example, the Court held that a district court's refusal to enforce a foreign forum selection clause was not immediately appealable. The Court quoted the "explicit statutory or constitutional guarantee" language of *Midland Asphalt* in explaining its determination that the case involved no "right not to be tried" for the purposes of the *Cohen* exception. 490 U.S. at 499 (internal quotations omitted).

Likewise, in the recent case of *Puerto Rico Aqueduct & Sewer Authority* v. *Metcalf & Eddy, Inc.*, 113 S. Ct. 684 (1993), there can be no dispute that an "explicit . . . constitutional guarantee that trial will not occur" was implicated. In that case, the Court permitted interlocutory review of the denial of a motion to dismiss on Eleventh Amendment grounds, emphasizing that such a motion "by a State or its agents . . . involves a claim to a *fundamental constitutional protection* . . . ." 113 S. Ct. at 688 (emphasis added).

In short, *Midland Asphalt* clearly requires affirmance here. Petitioner's argument that the "explicit statutory or constitutional guarantee" test be disregarded is nothing short of a suggestion that the Court should disregard *stare decisis* and overrule *Midland Asphalt*, a unanimous, five-year-old precedent that has never even been questioned by any member of this Court, and indeed, has been reaffirmed since that case. "[C]onsiderations of *stare decisis* weigh heavily in the area of statutory construction, where Congress is free to change this Court's interpretation of its legislation." *Illinois Brick Co.* v. *Illinois*, 431 U.S. 720, 736 (1977); accord, *Hilton* v. *South Carolina Pub. Ry. Comm'n*, 112 S. Ct. 560, 562 (1991) (this is "a pure question of statutory construction, where the *stare decisis* doctrine is most compelling"). Petitioner offers no good reason for this Court to abandon *Midland Asphalt*, much less adopt the extreme *per se* rule petitioner suggests—apparently as a substitute for the Court's test in *Midland Asphalt*—that *any* assertion of a "right not to go to trial," including one based on private contract, merits immediate interlocutory review. See Pet. Br. 15-21.

Even if the Court were otherwise inclined to consider overruling *Midland Asphalt*, however, the Court should not adopt petitioner's expansive alternative for two reasons. First, petitioner's proposal would seriously disserve the congressional policy judgments underlying Section 1291. Second, the policy interests that petitioner seeks to

vindicate can be protected adequately through other means, including the provisions of 28 U.S.C. § 1292(b) that petitioner chose not to invoke below.

2. *Petitioner's Expansive Alternative To This Court's Requirement Of An Explicit Statutory Or Constitutional Guarantee Would Disserve Congress' Policy Judgments Underlying Section 1291.*

If petitioner's liberal interpretation of a "right not to go to trial" is accepted, then no limiting principle will constrain the application of the collateral order doctrine, because "in some sense, all litigants who have a meritorious pretrial claim for dismissal can reasonably claim a right not to stand trial." *Van Cauwenberghe* v. *Biard*, 486 U.S. 517, 524 (1988). Indeed, it is difficult to see how the district court's alleged error in setting aside the settlement agreement and reinstating the litigation requires immediate review any more than a wide variety of allegedly erroneous rulings that have never been deemed immediately appealable, even though they could equally well be characterized as "rights not to go to trial."

For example, statutes of limitations are intended to preclude litigation entirely after the expiration of the statutory period, and thus could be said to confer a "right not to go to trial" in the expansive sense used by petitioner. But the courts agree that the denial of a motion to dismiss or a motion for summary judgment based on a statute of limitations (extended as appropriate by tolling, discovery rules, etc.) is not immediately appealable. See *United States* v. *Weiss*, 7 F.3d 1088 (2d Cir. 1993); *Broan Mfg. Co.* v. *Associated Distribs., Inc.*, 932 F.2d 1146 (6th Cir. 1991); *United States* v. *Rossman*, 940 F.2d 535 (9th Cir. 1991); *United States* v. *Davis*, 873 F.2d 900 (6th Cir.), *cert. denied*, 493 U.S. 923 (1989); *United States* v. *Levine*, 658 F.2d 113 (3d Cir. 1981).

Similarly, a defense based on a court's lack of personal or subject matter jurisdiction appears to confer a right not to stand trial before that court, "[b]ut denial of a

motion to dismiss, even when the motion is based on jurisdictional grounds, is not immediately reviewable." *Catlin* v. *United States*, 324 U.S. 229, 236 (1945); see also *Lauro Lines*, 490 U.S. at 501 ("a claim that the trial court lacked personal jurisdiction over the defendant" is "adequately vindicable" on appeal after final judgment).

The same can be said of a contractual provision mandating arbitration of disputes,[18] as well as any other of the almost limitless variety of statutory and common law defenses to claims. As the Third Circuit observed in *Transtech Industries, Inc.* v. *A & Z Septic Clean*, 5 F.3d 51, 58 (3d Cir. 1993), *petition for cert. filed*, 62 U.S.L.W. 3429 (U.S. Dec. 16, 1993) (No. 93-960), "If settlor-defendants had a right to an appeal, it would be difficult to deny one to other litigants who can assert the benefit of such affirmative and dispositive defenses as claim or issue preclusion, statute of limitations, lack of subject matter jurisdiction, and the like." Petitioner offers no basis for distinguishing those "rights not to go to trial" that have no statutory or constitutional basis from the one it seeks to establish.[19] Petitioner's approach must be re-

[18] Of course, Congress has recently enacted legislation specifying when an order concerning an arbitration clause is immediately appealable. *See supra* p. 13. Plainly, Congress is fully capable of creating a statutory exception to Section 1291 when it believes public policy considerations are sufficiently powerful to outweigh the "firm congressional policy against . . . 'piecemeal' appeals" that is expressed in the final judgment rule. *Abney* v. *United States*, 431 U.S. 651, 656 (1977). Petitioner's arguments about "the strong public policy supporting the negotiated resolution of disputes," Pet. Br. 22, are therefore more properly addressed to Congress than to this Court.

[19] Petitioner may argue in response that no such "right not to go to trial" would be involved where, for example, the defendant asserted that the court lacked jurisdiction, perhaps because the defendant would not have "bargained for," Pet. Br. 21, that right. If so, petitioner's approach plainly has the problematic effect of elevating rights based on private agreements over rights created by federal law. This is contrary to logic as well as to the law and good

jected, "lest a floodgate be opened that brings into the exception many pretrial orders."[20] *Switzerland Cheese Ass'n* v. *E. Horne's Market*, 385 U.S. 23, 24 (1966) (discussing 28 U.S.C. § 1292(a)(1)). Concerns about judicial economy and efficiency are simply too strong to permit interlocutory review in such circumstances.[21] See *Transtech Indus.*, 5 F.3d at 58 (although there is value to litigant in avoiding trial, "the benefits of the final-judgment rule, including discouragement of piecemeal appeals, efficient utilization of judicial resources, and preven-

policy, as discussed more fully below, *infra* pp. 22-25. And petitioner's invocation of the beneficial effects of privately negotiated settlements of disputes cannot justify a different result. As discussed below, our judicial system values settlement, but it condemns settlement agreements induced by fraud. *See infra* pp. 22-23.

[20] According to the Federal Judicial Center, the six-year period 1987 through 1992 has seen a nearly 40 percent increase in the number of appeals pending in the federal courts of appeals. The increase in the number of appeals filed was nearly 35 percent. Administrative Office of the United States Courts, *1992 Federal Court Management Statistics* 31 (19[illegible]). The Federal Courts Study Committee concluded that the appellate caseload "crisis is caused partly by an increase in district court cases but mainly by a heightened proclivity to appeal district court terminations." *Report of the Federal Courts Study Committee* 110 (1990).

[21] Petitioner's *amicus* attempts to demonstrate that some patent cases are so complex that interlocutory appeal may conserve judicial resources. *See* Br. of *Amicus Curiae* Spectra Physics, Inc. at 6-7. This may be true in a very few cases, contrary to the usual consequence of piecemeal review. But identifying a few such cases does not justify adopting petitioner's *per se* rule of interlocutory appeal. Rather, this order must be viewed as a part of a *class* of orders. *Van Cauwenberghe* v. *Biard*, 486 U.S. 517, 529 (1988). In *Richardson-Merrell Inc.* v. *Koller*, for example, the Court concluded as much with respect to orders disqualifying counsel. The Court held that "[e]ven if some orders disqualifying counsel are separable from the merits of the litigation, many are not . . . . [A]s a class, [they therefore] are not sufficiently separable from the merits to qualify for interlocutory appeal." 472 U.S. 424, 439-40 (1985). This conclusion applies with equal force here. In any event, statutory means exist to review exceptional cases. *See infra* p. 26.

tion of delay . . . take precedence") (citing *Van Cauwenberghe*, 486 U.S. at 524). These concerns apply with particular force here, where the "right" denied petitioner "has been created by [a] private agreement" that the district court found to have been induced by fraud. *Lauro Lines*, 490 U.S. at 503 (Scalia, J., concurring) ("We have made that judgment when the right . . . has been created through jurisdictional limitations established by Congress . . . . The same judgment applies—if anything, *a fortiori*—when the right has been created by private agreement").

3. *Petitioner's Policy Arguments Provide No Basis For Ignoring The Rule Articulated in* Midland Asphalt.

Ignoring this precedent and the public policy that supports it, petitioner argues in dramatic hyperbole that the policy "underlying the enforceability of agreements not to litigate would be completely undermined if enforcement had to await the end of the very litigation sought to be avoided." Pet. Br. 26. Petitioner's public policy claims are flawed for several reasons.

First, there is indisputably no "strong policy" promoting fraud or misrepresentation—or threats and tactics to prolong litigation, another method employed by petitioner, a corporation literally thousands of times larger than respondent—in the pursuit of settlement. Rather, the opposite is true: an agreement to arbitrate disputes or to litigate in a particular forum is not enforceable if such agreement is "the product of fraud or coercion." *Scherk* v. *Alberto-Culver Co.*, 417 U.S. 506, 519 n.14 (1974); accord *Prima Paint Corp.* v. *Flood & Conklin Mfg. Co.*, 388 U.S. 395, 403-04 (1967). The law has long condemned fraud, see *James Boyce's Executors* v. *Grundy*, 28 U.S. 210, 220 (1830) ("the law . . . abhors fraud"), and this Court has counseled that "courts should remain attuned to well-supported claims that the agreement . . . resulted from the sort of fraud or overwhelming economic power that would provide grounds 'for the revocation of any contract,'" *Mitsubishi Motors Corp.* v. *Soler Chrysler-Plymouth, Inc.*, 473 U.S. 614, 627 (1985) (cita-

tions omitted). The Court should not reward petitioner's fraud by permitting interlocutory review of the district court's order.

Second, denying interlocutory appeal in cases such as this will not, as petitioner suggests, discourage legitimate settlement of disputes.[22] As matters stand now, each party to a settlement negotiation can assume good faith and know that if the other party engages in fraud, there is a reasonably adequate remedy under Rule 60(b). Thus, the current system works effectively to encourage settlements.[23] Under petitioner's approach, by contrast, the cost of undoing a fraudulent settlement will be much greater because of the availability of an interlocutory appeal even before litigation on the underlying merits. Thus, the initial negotiations will be skewed by a party's legitimate concern that, if duped, he or she may be precluded from obtaining adequate relief because he or she lacks the resources to run the gauntlet of harassing litigation. This distortion

---

[22] Nothing in the district court's order prevents the parties from negotiating a different settlement untainted by petitioner's fraud. *See Helmac Prods. Corp.* v. *Roth Plastics Corp.*, No. 90-1890, 1990 WL 205103, at *1 (6th Cir. Dec. 14, 1990) (appeal from order vacating prior order of dismissal, reinstating case, and denying motion to enforce settlement agreement, and holding that case did "not fall within the Cohen collateral order exception. The district court's order has not precluded the parties from further attempts at settlement").

[23] Commentators widely agree that between 60 and 70 percent of all civil suits filed are resolved by settlement. *See, e.g.*, Janet C. Alexander, *Do the Merits Matter? A Study of Settlements in Securities Class Actions*, 43 Stan. L. Rev. 497, 524-25 (1991) ("in the neighborhood of 60 to 70 percent" of civil suits settled); Theodore Eisenberg & Stewart J. Schwab, *What Shapes Perceptions of the Federal Court System?*, 56 U. Chi. L. Rev. 501, 532 (1989) (73 percent of all non-civil-rights cases settled); Judge Harry T. Edwards, *Alternative Dispute Resolution: Panacea or Anathema?*, 99 Harv. L. Rev. 668, 670 & n.8 (1986) (approximately 90 percent of all cases resolved before trial, 70 percent by settlement); Judith Resnik, *Managerial Judges*, 96 Harv. L. Rev. 374, 405 & n.126 (1982) (8.2 percent of civil suits terminated by trial, small but unascertainable number dismissed for legal defects, remainder settled).

of the current negotiating process certainly will not enhance the prospects for settlement. To the extent it deters or delays settlements, the policy argument advanced by petitioner is in fact *undermined* by the rule it urges.

Moreover, petitioner's argument assumes that a lack of immediate appeal will lead to a large increase in the number of parties to settlement agreements who, without good reason, seek to have those agreements set aside. It also assumes that district courts will permit settlement agreements to be set aside as a routine matter. These assumptions are utterly contrary to logic, experience, and the facts of this case.[24]

Only under unusual circumstances—such as when one party engages in rank fraud—will the other party to a settlement seek to have the agreement set aside and litigate the matter instead. "Foregoing formal courtroom procedures, including discovery, trial, briefs, and arguments, brings substantial benefits" to *both* parties. *Janneh* v. *GAF Corp.*, 887 F.2d 432, 435 (2d Cir. 1989), *cert. denied*, 498 U.S. 865 (1990). A rational litigant who has already decided to obtain these "substantial benefits" will not impulsively change his or her mind, ignore the time and effort spent in coming to an agreement, and decide to incur the cost of trial.[25]

---

[24] The fact that the number of attempts to set aside settlement agreements appears not to be enormous nevertheless does not lessen the consequences of the *per se* rule of appealability that petitioner urges. As discussed above, *supra* pp. 20-21, petitioner's suggested approach contains no principle to differentiate appeals of orders setting aside settlement agreements from appeals of a host of other orders denying allegedly meritorious defenses. Under petitioner's *per se* rule, therefore, an increase in attempts to obtain interlocutory review of a multitude of orders could be expected.

[25] *Cf.* Judith Resnik, *Managerial Judges*, *supra* note 23, at 405 n.126 ("Some settled cases, however, return to court when the agreement is challenged .... Nonetheless, the number of such cases is apparently small, presumably because the relationship that enables settlement normally permits the parties to resolve subsequent disputes").

And there is no reason to believe that precluding interlocutory review of orders setting aside settlement agreements will cause already heavily burdened district courts [26] abruptly to reverse course and become far more willing to issue such orders. As petitioner itself observes, "courts have routinely refused to reopen cases that have settled *except in extraordinary circumstances*." Pet. Br. 25 (emphasis added). This statement is borne out by the instant case—as well as *Grillet*, *Forbus*, and *Janneh*,[27]—all of which demonstrate that "extraordinary circumstances" do serve as the prerequisite for reinstituting previously settled litigation.[28]

In any event, for the rare case warranting immediate review, lack of an automatic interlocutory appeal will "not

---

[26] *See, e.g.*, Burger, C.J., *Reducing the Costs of Civil Litigation*, 37 Rutgers L. Rev. 217 (1985); *Patsy* v. *Florida Bd. of Regents*, 457 U.S. 496, 533 (1982) (discussing "the overburdened federal court system" in context of civil rights cases) (Powell, J., dissenting); Lambros, J., *The Summary Jury Trial*, 103 F.R.D. 461, 465 (1984).

[27] Not only this case, but also *Grillet* and *Forbus*, involved the "extraordinary circumstance" of fraud in the inducement of the contract, which the district court below found based on submissions by both parties. In *Janneh*, the settlement agreement was found to have been the product of duress.

[28] Petitioner notes that the Court has "warned against judicial second-guessing" of settlements, and has "reversed decisions where the lower courts failed to give proper weight to the 'strong policy' favoring the non-judicial settlement of disputes." Pet. Br. 23. But these signals from the Court indicate nothing more than that district courts should be cautious in determining whether a settlement agreement may appropriately be set aside; the cases indicate that courts do in fact exercise appropriate caution. *See, e.g.*, *Forbus* v. *Sears Roebuck & Co.*, 958 F.2d 1036 (11th Cir.) (in case permitting interlocutory review of district court order setting aside settlement agreement on ground of fraud and reopening litigation, court affirmed decision concerning settlement agreement), *cert. denied*, 113 S. Ct. 412 (1992).

necessarily leave the client . . . without a remedy." *Richardson-Merrell, Inc.* v. *Koller*, 472 U.S. 424, 435 (1985). This Court has often recognized that both 28 U.S.C. § 1292(b) and, in certain circumstances, extraordinary writs, provide adequate avenues for appellate review where the need is pressing:

> Ultimately, if dissatisfied with the result in the District Court and absolutely determined that it will be harmed irreparably, a party may seek to have the question certified for interlocutory appellate review pursuant to 28 U.S.C. § 1292(b) . . . and, in the exceptional circumstances for which it was designed, a writ of mandamus from the court of appeals might be available.

Firestone Tire & Rubber Co. v. *Risjord*, 449 U.S. 368, 378-79 n.13 (1981).[29] In this case, of course, petitioner never even bothered to request district court certification.

In sum, petitioner has presented no convincing reason to overrule the "explicit statutory or constitutional guarantee" test set out five years ago in *Midland Asphalt*. Certainly, petitioner's proposed test, a *per se* rule of appealability for any order setting aside a settlement agreement, is not a sound alternative, as it is both ill advised as a matter of policy and unnecessary.

---

[29] *Cf.* 11 C. Wright, A. Miller & E. Cooper, *Federal Practice & Procedure* § 2871, at 260 (1973) ("[t]he extraordinary writs provide sufficient relief in flagrant cases in which the lower courts have exceeded their authority under [Rule 60(b)]"). *See also Van Cauwenberghe* v. *Biard*, 486 U.S. 517, 529-30 (1988) ("[o]ur conclusion that the denial of a motion to dismiss on the ground of *forum non conveniens* is not appealable under § 1291 is fortified by the availability of interlocutory review pursuant to 28 U.S.C. § 1292 (b) . . . [which] provides an avenue for review of *forum non conveniens* determinations in appropriate cases"); *Richardson-Merrell, Inc.* v. *Koller*, 472 U.S. 424, 435 (1985).

C. The District Court's Order Does Not Fall Within The Collateral Order Exception Because It Does Not "Resolve An Important Issue."

The second prong of the most often cited formulation of the collateral order doctrine requires that the order "resolve an important issue completely separate from the merits of the action." *Coopers & Lybrand* v. *Livesay*, 437 U.S. 463, 468 (1978). This requirement encompasses the *Cohen* condition that the issue on which interlocutory appeal is sought be "too important to be denied review," *Cohen* v. *Beneficial Indus. Loan Corp.*, 337 U.S. 541, 546 (1949). Petitioner's attempt to obtain interlocutory appeal founders on this "importance" factor.

Petitioner erroneously argues for the elimination of the "importance" inquiry that has always been a part of the collateral order doctrine. Petitioner's argument disregards not only established precedent, but also the role played by the importance requirement in preserving the narrowness of the collateral order doctrine. It is a requirement that has been a consistent mainstay of the collateral order rule since *Cohen* itself was decided over 40 years ago. The court of appeals correctly inquired into the importance of the issue, and it correctly concluded that the enforceability of a settlement agreement is not an issue of sufficient importance to warrant expansion of the collateral order exception.

1. *There Is No Reason To Discard The "Importance" Requirement, Which Is A Vital Part Of The Collateral Order Doctrine That Has Been Applied Consistently By This Court And The Courts Of Appeals.*

Petitioner argues for the first time to this Court that the importance requirement is not a proper part of the test for an appealable collateral order.[30] See Pet. Br.

---

[30] Because petitioner never presented this argument to either the district court or the court of appeals, the argument has been

28-38. Petitioner's novel argument fails to take account of the fact that "[t]he importance of the right asserted has always been a significant part of [the Court's] collateral order doctrine." *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495, 502 (1989) (Scalia, J., concurring). Indeed, this Court's collateral order doctrine cases have consistently repeated the requirement that the issue on which appeal is sought be "too important to be denied review." *Cohen*, 337 U.S. at 546, *quoted in, e.g., Puerto Rico Aqueduct & Sewer Auth.* v. *Metcalf & Eddy, Inc.* 113 S. Ct. 684, 687 (1993); *Van Cauwenberghe*, 486 U.S. at 522-27; *Richardson-Merrell*, 472 U.S. at 430-31; *Coopers & Lybrand*, 437 U.S. at 468; and *Abney* v. *United States*, 431 U.S. 651, 658-59 (1977). To be sure, the Court's decisions tend not to turn solely on the "importance" element. But the importance of the issue on which appeal is granted is almost always self-evident, particularly in recent cases.

The Court reiterated and applied the "importance" requirement most recently in *Puerto Rico Aqueduct & Sewer Authority* v. *Metcalf & Eddy, Inc.*, 113 S. Ct. 684 (1993). That case presented the question whether interlocutory appeal could be had from an order denying a motion to dismiss on Eleventh Amendment grounds. The Court began its analysis by reciting the *Cohen* factors—including the requirement that the issue be "too important to be denied review." 113 S. Ct. at 687 (quoting *Cohen* at 546). The Court's conclusion that the district court's order met all of the *Cohen* factors rested in part on the demonstrable importance of the issue: "a motion by a State or its agents to dismiss on Eleventh Amendment grounds involves a claim to a fundamental constitutional protection . . . ." 113 S. Ct. at 688. And the Court cited Justice Scalia's concurrence in *Lauro Lines*, which discussed exclusively the requirement that the right at issue

waived. *Taylor* v. *Freeland & Kronz*, 112 S. Ct. 1644, 1649 (1992); *Delta Air Lines, Inc.* v. *August*, 450 U.S. 346, 362 (1981); *Adickes* v. *S.H. Kress & Co.*, 398 U.S. 144, 147 n.2 (1970).

be "*sufficiently important* to overcome the policies militating against interlocutory appeals." 490 U.S. at 503, *cited in Puerto Rico Aqueduct*, 113 S. Ct. at 688 (emphasis added).

The plainly important issues on which the Court has permitted appeal under the collateral order doctrine have included the Double Jeopardy Clause, *Abney* v. *United States*, 431 U.S. 651 (1977); the Speech or Debate Clause, *Helstoski* v. *Meanor*, 442 U.S. 500 (1979); absolute Presidential immunity, *Nixon* v. *Fitzgerald*, 457 U.S. 731 (1982); a district court's "refusal to adjudicate the merits," *Moses H. Cone Memorial Hosp.* v. *Mercury Constr. Corp.*, 460 U.S. 1, 12 (1983); and qualified immunity, *Mitchell* v. *Forsyth*, 472 U.S. 511 (1985). There can be no doubt that the "importance" component has played an integral part in this Court's collateral order doctrine jurisprudence.[31]

Petitioner, however, would apparently have the Court overrule more than a dozen cases applying the *Cohen* factors over the past 40-plus years, despite the fact that *stare decisis*, as already noted,[32] is particularly weighty in the area of statutory construction. The only reason petitioner offers for this startling result is petitioner's insistence that "deciding which types of cases are 'important

[31] The very narrow sweep of the "importance" requirement is further demonstrated by the large number of nontrivial issues which the Court has *refused* to review on an interlocutory appeal. Such issues include a dismissal motion based on a forum-selection clause, notwithstanding "the strong federal policy favoring the enforcement of foreign forum-selection clauses" *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495, 500-01 (1989) (citing *The Bremen* v. *Zapata Off-Shore Co.*, 407 U.S. 1 (1972)); violation of the Federal Rules of Criminal Procedure's grand jury secrecy requirements, *Midland Asphalt Corp.* v. *United States*, 489 U.S. 794 (1989); a claim of immunity from service of process, *Van Cauwenberghe* v. *Biard*, 486 U.S. 517 (1988), and orders disqualifying counsel in civil cases, *Richardson-Merrell, Inc.* v. *Koller*, 472 U.S. 424 (1985).

[32] *See supra* p. 18.

enough' " to merit interlocutory appeal is an enterprise "strangely foreign to accepted notions of jurisdiction and the respective roles of Congress and the Federal Courts." Pet. Br. 28. However, not only has the "importance" inquiry been explicitly applied and approved by this Court in weighing the appealability of collateral orders, but also it is frequently undertaken by courts in construing other judicially created doctrines.[33] For example, Rule 10.1(c) of this Court's own Rules provides, "A petition for a writ of *certiorari* will be granted only when there are special and *important reasons* therefor . . . [such as] . . . [w]hen a state court or a United States court of appeals has decided an *important question* of federal law which has not been, but should be, settled by this Court . . . ." (emphasis added). See, *e.g.*, *Boire* v. *Greyhound Corp.*, 376 U.S. 473, 476 (1964) ("we granted *certiorari* to consider a seemingly important question of federal labor law"); *United States* v. *Standard Oil Co.*, 332 U.S. 301, 302 (1947) ("we granted *certiorari* because of the novelty and *importance of the principal question*") (emphasis added). And in a majority of courts of appeals, the rules governing a party's suggestion for *en banc* consideration provide as one basis that the case "involve[] one or more questions of exceptional importance." 5th Cir. R. 35.2.2. See also D.C. Cir. R. 35(c); 1st Cir. R. 35.1; 3d Cir. R. Addendum A, chap. 9.2; 5th Cir. R. 35.2.2; 6th Cir. R. Addendum II R. 20.8; 7th Cir. R. Practitioner's Handbook XXV(2); 10th Cir. R. 35.2.2; 11th Cir. R. 35-6; Fed. Cir. R. 35(b); and Fed. R. App. P. 35(a).

Petitioner errs when it construes the "importance" requirement as improperly affording courts unfettered license to grant or deny review. See Pet. Br. 28. To begin with,

[33] Indeed, petitioner itself argued to the court of appeals in this case that "this appeal should be heard in banc because it also involves questions of exceptional importance." Combined Petition for Rehearing and Suggestion for Rehearing in Banc at (i) & 10, filed by petitioner DEC in the Tenth Circuit (June 1, 1993).

as illustarated by the decision below[34] the "importance" requirement is simply one of several distinct requirements, *all* of which must be satisfied for the *Cohen* exception to apply. As such, it underscores the dignity and weight an issue must entail in order to qualify for immediate review under the stringent *Cohen* test.[35] See *supra* note 17. Moreover, the courts of appeals have used the importance requirement appropriately to limit, not expand, the scope of the collateral order doctrine.[36]

[34] The court of appeals' decision was based on its determination *both* that the district court's order was effectively reviewable after trial, Pet. App. 10a, and that "rights" arising out of settlement agreements are not "important" in the sense required by the collateral order doctrine. *Id.* at 6a.

[35] For instance, if the Court were rigorously to enforce the "explicit statutory or constitutional guarantee" requirement, then there would be little need to undertake a separate inquiry into "importance." Where, as here, no such right is implicated, then that ends the inquiry. Alternatively, where a statutory or constitutional right is directly implicated, it would seem extremely unlikely that the issue would be regarded as unimportant by the Court. *See infra* p. 33.

[36] There is no evidence that petitioner's fears of unfettered discretion are borne out in practice. *See, e.g. Doughty* v. *Underwriters at Lloyd's, London*, 6 F.3d 856, 863 (1st Cir. 1993) (district court's *Burford*-abstension-based remand order not immediately appealable because "the *Burford*-based decision as to which forum, state or federal, will ultimately determine arbitrability lacks the necessary high degree of importance that is demanded"); *Bauer* v. *Commerce Union Bank*, 859 F.2d 438, 440 (6th Cir. 1988) (district court's order substituting bankruptcy trustee as plaintiff in place of debtors did not decide an "important" question where argument that substitution was improper bordered on the "frivolous" and admitted "of only one answer"), *cert. denied*, 489 U.S. 1079 (1989); *United States* v. *Larouche Campaign*, 829 F.2d 250, 254 (1st Cir. 1987) (order denying motion to dismiss based on alleged grand jury violations not immediately appealable; in most cases, grand jury abuse "important enough to warrant the extraordinary step of an interlocutory appeal" is "important enough to warrant relief on direct appeal" from conviction, making effective review after final judgment available); and *United States* v. *Levine*, 658 F.2d 113, 125-29 (3d Cir. 1981) ("importance and nature of the right in-

The court of appeals' careful consideration of whether the issue presented was important enough to merit interlocutory review was thus wholly appropriate in light of both this Court's longstanding precedent and the policy underlying that precedent.[37]

---

volved" in statute of limitations does not merit immediate appeal of order denying statute of limitations defense; distinguishing rights inhering in statute of limitations from constitutional rights).

[37] Apparently recognizing the weakness of its argument on the "importance" requirement, petitioner seeks to bolster its claim for immediate appeal by arguing that the district court erred. Pet. Br. 27-28. This argument is without merit. Despite the language in the opinion that "a factfinder could [find fraud]," Pet. App. 13a, the district court obviously found fraud, because it decided to reopen the litigation. If a district court does not make a specific finding on a particular fact, the reviewing court may assume that the trial court impliedly made a finding consistent with its general holding if such a finding is supported by the evidence. 9 C. Wright & A. Miller, *Federal Practice & Procedure* § 2579, at 712-13 (1971). The district court also correctly applied the standard for nondisclosure of material facts. Where there is inequality between the parties, as there was between Desktop and DEC, a national corporation thousands of times the size of Desktop, silence may constitute actionable fraud. *First Sec. Bank* v. *Banberry Dev. Corp.*, 786 P.2d 1326, 1328 (Utah 1990). "[E]ven when a party is under no duty to speak regarding a matter, if he does speak, he must speak the truth *and make a full and fair disclosure.*" *Simpson* v. *Western Nat'l Bank*, 497 P.2d 878, 880 (Wyo. 1972) (emphasis added). *See* Plaintiff's Reply to Defendant's Memorandum in Opposition to Motion to Set Aside Settlement and Withdraw Dismissal at 10, filed by petitioner DEC in district court (Nov. 9, 1992) (citing these and other cases).

In any event, if the existence of error were enough to excuse application of the final judgment rule, the rule would be meaningless. Therefore, "interlocutory orders are not appealable 'on the mere ground that they may be erroneous.'" *Firestone Tire & Rubber Co.* v. *Risjord*, 449 U.S. 368, 378 (1981) (footnote & citation omitted). As this Court has observed:

> Immediate review of every trial court ruling, while permitting more prompt correction of erroneous decisions, would impose unreasonable disruption, delay, and expense. It would also undermine the ability of district judges to supervise litigation.

Richardson-Merrell, 472 U.S. at 430 (citation omitted). *See also Moses H. Cone Memorial Hosp.* v. *Mercury Constr. Corp.*, 460 U.S. 1, 32 (1982) (Rehnquist, C.J., dissenting) (same).

2. *The Issue Whether A Private Settlement Agreement Is Valid And Enforceable Is Not An "Important Issue" For Purposes Of The Collateral Order Doctrine.*

The court of appeals was not only correct in concluding that the importance requirement has independent significance, the court was also correct in its application of that requirement. Among other things, the court specifically weighed the importance of enforcing settlement agreements. Reviewing this Court's collateral order decisions, the court of appeals concluded that although "encouragement of out-of-court settlements is desirable, we believe Supreme Court precedent takes a narrower view of which interests are 'important' enough to fall within the narrow confines of the *Cohen* doctrine." Pet. App. 6a.

This conclusion was plainly correct. This Court has *never* permitted immediate appeal where the right at stake arose solely out of a private contract, and for good reason: the public policy reasons that have long supported the finality requirement become even more difficult to overcome where a mere private agreement is at issue. *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495, 503 (1989) (Scalia, J., concurring). And it was wholly appropriate for the court's analysis of "importance" to be informed by this Court's cases requiring a constitutional or statutory basis for the claimed "right not to go to trial"; where there is a "statutory or constitutional guarantee" or a settled common-law right of equal weight, the "importance" inquiry is satisfied by the dignity and consequence that Congress and the Framers accorded to that particular right or interest.

In the context of actions brought under 42 U.S.C. § 1983, for example, courts have long distinguished between mere contractual rights and rights established by statute or the Constitution. Thus, where a person claims that a State has acted to deprive him of contractual rights arising out of a contract with that State, courts consistently hold that no claim can be maintained under 42 U.S.C. § 1983 in the absence of a concomitant constitutional deprivation. As the Second Circuit held in *S&D Maintenance Co.* v. *Goldin*, 844 F.2d 962, 966 (2d Cir. 1988), "[a]n interest in enforcement of an ordinary commercial contract with a state is qualitatively different from the interests the Supreme Court has thus far viewed as 'property' entitled to procedural due process protection." See also *Costello* v. *Town of Fairfield*, 811 F.2d 782, 784 (2d Cir. 1987); *Boston Envtl. Sanitation Inspectors Ass'n* v. *City of Boston*, 794 F.2d 12, 13 (1st Cir. 1986); *Sudeikis* v. *Chicago Transit Auth.*, 774 F.2d 766, 770 (7th Cir. 1985); *Braden* v. *Texas A&M Univ. Sys.*, 636 F.2d 90, 93 (5th Cir. 1981).

Petitioner, moreover, has offered no compelling reason for extending the protection of the collateral order doctrine to "rights not to go to trial" grounded in private contracts. For reasons explained above, petitioner's proposal runs counter to the public policy concerns underlying the statutory finality requirement, which can be better furthered through other means such as discretionary interlocutory appeals. And far from fostering settlements, the rule petitioner seeks would more likely have the opposite effect. Thus, the holding below which treated rights arising out of a purely private settlement agreement as relatively unimportant and certainly not of sufficient moment to discard the benefits of requiring finality prior to appeal, was fully consistent both with this Court's holdings and with a sensible application of the collateral order rule.

D. The "Rights" Petitioner Secured In The Settlement Agreement Are "Adequately Vindicable" On Appeal After Trial.

Finally, the district court's order fails the third prong of the *Cohen* test, which requires that the order offered for review "be effectively unreviewable on appeal from a final judgment." *Coopers & Lybrand* v. *Livesay*, 437 U.S. 463, 468 (1978). Under this prong, the Court has generally required a showing that the "legal and practical value" of the rights at issue will be completely "destroyed" absent immediate review. *Midland Asphalt*, 489 U.S. at 799. Accordingly, an order will fail this part of the *Cohen* test even if the right asserted is not "perfectly secured by appeal after judgment," as long as the right is "adequately vindicable" by post-judgment review. *Lauro Lines S.R.L.* v. *Chasser*, 490 U.S. 495, 501 (1989). In this case, petitioner's rights under the settlement agreement, while perhaps not "perfectly secured" by post-judgment review, are certainly "adequately vindicable" through ordinary appellate review.

Lauro Lines is dispositive here. In that case, the Court held there was no right to immediate appeal from an order declining to enforce a foreign forum-selection clause. The petitioner in *Lauro Lines* argued that under its contract, it had a "right to trial before a tribunal in Italy, and . . . a concomitant right not to be sued anywhere else." 490 U.S. at 500. This Court observed that the effectiveness of post-trial review depended upon how one "characterize[d] the right embodied in petitioner's forum selection provision":

> The right appears most like the right to be free from trial if it is characterized . . . as a right not to be sued at all except in a Neapolitan forum. It appears less like a right not to be subjected to suit if characterized . . . as "a right to have the binding adjudication of claims occur is a certain forum."

Id. at 501 (citation omitted). The Court held that an asserted right need not be "*perfectly* secured by appeal after final judgment" in order to be considered "adequately vindicable at that stage." 490 U.S. at 501 (emphasis added). Thus, the Court found that the right of the petitioner to have an Italian court hear the case could be effectively addressed on appeal after final judgment, even though at that point the petitioner would have lost any corresponding corollary right *not* to be tried elsewhere. 490 U.S. at 501. Therefore, no appeal was available under the collateral order doctrine.

Petitioner claims that because it "secured an explicit agreement that it would not face trial on Desktop's claims," Pet. Br. 21, it possesses a right that must be vindicated before trial. However, "this Court has declined to find the costs associated with unnecessary litigation to be enough" to justify interlocutory appeal. *Lauro Lines*, 490 U.S. at 499 (quoting *United States* v. *McDonald*, 435 U.S. 850, 860 n.7 (1978)). To avoid the obvious conclusion that the only harm it could possibly suffer from the denial of interlocutory appeal would be "unnecessary litigation," petitioner—like the petitioner in *Lauro Lines*—attempts to characterize its right under the settlement agreement as a "right not to go to trial." Petitioner's claim is no more persuasive than the argument unsuccessfully advanced in *Lauro Lines*.

In assessing such claims, this Court has counseled that

> [b]ecause of the important interests furthered by the final judgment rule . . . and the ease with which certain pretrial claims for dismissal may be alleged to entail the right not to stand trial, we should examine the nature of the right asserted with special care to determine whether an *essential aspect* of the claim is the right to be free of the burdens of a trial.

Van Cauwenberghe v. *Biard*, 486 U.S. 517, 524-25 (1988) (emphasis added). Petitioner's alleged "right not to go to trial" does not stand up to such scrutiny; it can-

not fairly be said to be an "essential aspect" of the settlement agreement petitioner reached—through misleading means—with respondent.

Indeed, the agreement at issue here serves several purposes other than simply foreclosing a trial. Instead, as with all settlement agreements, a variety of substantive rights and obligations were agreed upon. Thus, petitioner bargained for and received the important right to use the tradename and trademark "Desktop Direct." J.A. vol. II (Sealed) ¶ 1 & exh. A, at 2, 7-8. See also Appellant's Brief in Support of Jurisdiction at 16, filed by petitioner DEC in the Tenth Circuit (Mar. 18, 1993) (in the settlement agreement, DEC "bargained for the right not to undergo pretrial and trial efforts *and to insure its right to use a trademark*") (emphasis added). And the settlement agreement limited the possible extent of petitioner's liability to respondent, another common purpose of settlement agreements. J.A. vol. II (Sealed) ¶ 8, at 4. See *Broussard* v. *Violet*, No. 89-56207, 1991 WL 113804, at *3 (9th Cir. June 21, 1991) (Settlement "can be said to contain two components: The right to be free from liability and the right to be free from litigation. Although a settlement contract does end litigation, its primary function is to settle the claims of right that are the subject matter of the litigation"); *cf. Carson* v. *American Brands, Inc.*, 450 U.S. 79, 86-87 (1981) (consent decree insulates parties from the " 'inevitable risk of litigation' ") (citation omitted). Thus, the rights petitioner secured by the settlement agreement are validly characterized as petitioner's ability to do business under the "Desktop Direct" tradename and the right to have its liability limited to the amount specified in the agreement. Those rights are obviously reviewable, and thus vindicable, on appeal following a final judgment.[38] See *Lauro Lines*, 490 U.S. at 501; *Van Cau-*

[38] Petitioner stretches the concept of a "right not to go to trial" by asserting that this is the principal right secured by the settlement agreement. This is false. But even if it were true, petitioner has presented no reason for the Court to ignore the narrow confines

wenberghe, 486 U.S. at 527; see also *Broussard*, 1991 WL 113804, at *3 (district court's denial of motion for summary judgment grounded on a settlement agreement not immediately appealable because the movant's rights would be vindicable on appeal after trial) (citing *Midland Asphalt*, 489 U.S. at 801). Therefore, petitioner's rights under the settlement agreement as a whole are certainly "adequately vindicable" through post-judgment appeal.[39]

This Court's decision in *Van Cauwenberghe* v. *Biard*, 486 U.S. 517 (1988), compels the same conclusion. There, the foreign-resident petitioner, who was in California in connection with criminal proceedings, was served with a summons and complaint in a civil suit arising out of the same facts that underlay the criminal charges. The petitioner unsuccessfully moved to dismiss on the ground that under the principle of specialty, he was immune from

---

of the judicially created exception to the final judgment rule and permit appeal. Indeed, the narrowness of that exception dictates a presumption *against* immediate appeal; thus, where two characterizations of a right are equally plausible, the Court should select the one that will *not* permit appeal.

[39] Three other circuits have reached the same conclusion. Most recently, the Third Circuit in *Transtech Industries, Inc.* v. *A & Z Septic Clean*, 5 F.3d 51, 58 (3d Cir.), *petition for cert. filed*, 62 U.S.L.W. 3429 (U.S. Dec. 16, 1993) (No. 93-960), followed the Tenth Circuit in holding that "orders denying summary judgments on claims of immunity from trial based on releases or settlements are not appealable as *Cohen* collateral orders." In three separate cases, the Sixth Circuit has rejected attempts to appeal orders setting aside settlements or releases as "[]reviewable on appeal from a final judgment." *Henry* v. *United McGill Corp.*, No. 87-3687, 1987 WL 38181, at *1 (6th Cir. Oct. 14, 1987); *accord*, *Reeves* v. *Digital Equip. Co.*, No. 90-3063, 1990 WL 41885, at *1 (6th Cir. Apr. 11, 1990); *Helmac Prods. Corp.* v. *Roth Plastics Corp.*, No. 90-1890, 1990 WL 205103, at *1 (6th Cir. Dec. 14, 1990). Similarly, the Ninth Circuit has also held that the district court's denial of the defendant's summary judgment motion based upon a claims-waiver agreement did not involve a right that "would be destroyed if it were not vindicated before trial." *Broussard* v. *Violet*, No. 89-56207, 1991 WL 113804, at *3 (9th Cir. June 21, 1991).

service of process because his presence in the United States resulted from extradition. On appeal, this Court held that an order denying a motion to dismiss on this ground may not be appealed under the collateral order doctrine. The Court reasoned that even assuming the principle of specialty immunized the petitioner from service of process, the petitioner's rights were adequately vindicable on appeal after trial because the "right not to stand trial" for the purposes of the *Cohen* doctrine was not "an essential aspect" of the principle of specialty.[40] 486 U.S. at 525. Instead, the Court concluded that the petitioner's right "should be characterized as the right not to be subject to a binding judgment of the court," a right that can "be effectively vindicated following final judgment." *Id.* at 526-27.

The same reasoning applies squarely to this case. As in *Van Cauwenberghe*, petitioner here claims a "right not to stand trial" that, it contends, cannot be adequately vindicated by post-judgment review. Yet here, as in *Van Cauwenberghe*, avoidance of trial plainly is not an "essential aspect" of the much broader settlement agreement for reasons explained above. Accordingly, the district court's order is effectively reviewable on appeal after a trial, and therefore does not fall within the "narrow class" of immediately appealable collateral orders.

* * * *

As respondent has demonstrated, the court of appeals' decision should be affirmed for three independently sufficient reasons. First, this case involves no "right not to go to trial" for purposes of the collateral order doctrine because, as the court of appeals properly recognized, the

---

[40] The Court considered the policy underlying the principle of specialty, namely, to ensure that "the receiving state does not abuse the extradition processes." 486 U.S. at 525. The Court concluded that, at least "prior to any attempt to subject the defendant to a binding judgment of the court," *id.*, this policy, though important, would not be harmed by permitting the service of process. *Id.*

collateral order doctrine requires an "explicit statutory or constitutional guarantee" that no trial will occur. Second, consistent with both precedent and the fundamental policy underlying the final judgment rule, the court of appeals correctly determined that a putative right created by a private settlement agreement does not rise to the level of importance this Court has required for immediate appeal. Finally, the court of appeals correctly held that the order did not meet the requirements of the *Cohen* test's third prong because the rights petitioner obtained through the settlement agreement can be "adequately," if not completely, "vindicated" on appeal after final judgment. In sum, the court of appeals correctly rejected petitioner's attempt to "transform the limited exception carved out in *Cohen* into a license for broad disregard of the finality rule imposed by Congress in § 1291." *Firestone Tire & Rubber Co.* v. *Risjord*, 449 U.S. 368, 378 (1981).

CONCLUSION

For the foregoing reasons, the judgment of the court of appeals should be affirmed.

Respectfully submitted,

JOHN PAUL KENNEDY *
1385 Yale Avenue
Salt Lake City, Utah 84105
(801) 583-6170

H. ROSS WORKMAN
LARRY R. LAYCOCK
WORKMAN, NYDEGGER & JENSEN
1000 Eagle Gate Tower
60 East South Temple
Salt Lake City, Utah 84111

REX E. LEE
CARTER G. PHILLIPS
GENE C. SCHAERR
JANET M. LETSON
SIDLEY & AUSTIN
1722 Eye Street, N.W.
Washington, D.C. 20006
(202) 736-8000

Counsel for Respondent

* Counsel of Record

January 18, 1994